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UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

Amit Agarwal, Plaintiff, v. Jeff Buchanan, an individual, Defendant.	Case No. 2:17-cv-02182-BRO-MRW **MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF DEFENDANT'S MOTION TO DISMISS FIRST AMENDED COMPLAINT PURSUANT TO FED. R. CIV. P. 12(b)(1), 12(b)(5), and 12(b)(6)** Date: June 26, 2017 Time: 1:30pm Courtroom: 7C Hon. Beverly Reid O'Connell

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I. INTRODUCTION

Defendant Jeff Buchanan ("Defendant") through his undersigned counsel, hereby moves to dismiss the First Amended Complaint for Patent Infringement ("FAC") filed by Plaintiff Amit Agarwal ("Plaintiff") for lack of subject matter jurisdiction pursuant to Fed. R. Civ. P. 12(b)(1), for insufficient service of process pursuant to Fed. R. Civ. P. 12(b)(5), and for failure to state a claim pursuant to Fed. R. Civ. P. 12(b)(6).

Plaintiff lacks standing to bring and maintain this infringement suit against Defendant in his own name, because he is not the proper assignee of all substantial rights in U.S. Patent Nos. 6,418,004 ("'004 Patent") and 6,853,531 ("'531 Patent", and collectively the "Patents-in-Suit"). The chain of assignments on file with the United States Patent and Trademark Office evidence an incomplete transfer of rights from the inventors, Corey Alexander Mather and Mark William Gust ("Inventors"), to a company called "Bayshore Patents LLC", and then a subsequent incomplete transfer of rights from "Bayshore Patents LLC" to Plaintiff.

Plaintiff also failed to sufficiently serve Defendant with the summons and complaint in this matter. Plaintiff left a copy of the summons and complaint with a non-resident individual visiting Defendant's dwelling, while Defendant was out of the state. Based on the proof of service on file with the Court, it is only possible that the recipient received a copy of the original Complaint, rather than the currently-operative First Amended Complaint (*see* Dkt. 11).

Finally, Plaintiff failed to state a claim upon which relief may be granted for Defendant's alleged direct, induced, or contributory infringement of Claim 1 of each of the Patents-in-Suit. Plaintiff has not sufficiently alleged that Defendant – or any other party – makes, uses, offers to sell, or sells any device, system, or apparatus that meets every limitation of Claim 1 in each of the Patents-in-Suit. Plaintiff also failed to allege that Defendant actively induced infringement of the Patents-in-Suit. Finally, Plaintiff failed to allege that anything Defendant sells is a material part of a patented invention, or that Defendant sells anything specially adapted for use in an infringement that does not have substantial noninfringing uses.

II. FACTUAL SUMMARY AND PROCEDURAL HISTORY

On January 15, 2017, Corey Alexander Mather and Mark William Gust – Inventors of the Patents-in-Suit – executed an agreement transferring only some of their rights in the Patents-in-Suit to a company called Bayshore Patents, LLC, located at 14420 Edinburgh Moor Drive, Wimauma, Florida, 33598, (the "First Agreement"). (*See* Exhibit A to Declaration of Jayson S. Sohi). Plaintiff signed on behalf of Bayshore Patents, LLC. (*See id.*). On January 18, 2017, Plaintiff – on behalf of Bayshore Patents, LLC –transferred a smaller subset of rights in the Patents-in-Suit to himself as an individual, (the "Second Agreement"). (*See* Exhibit B to Declaration Jayson S. Sohi). On March 21, 2017, Plaintiff filed its Complaint for patent infringement in his own name against Defendant, for the alleged infringement of the Patents-in-Suit. (Dkt. 1). On May 4, 2017, Plaintiff filed its First Amended Complaint for patent infringement in its own name against Defendant, again for the alleged infringement of the Patents-in-Suit. (*See* Dkt. 10, ¶¶ 32, 35).

On May 8, 2017, a Proof of Service was filed, indicating that the summons and Complaint were left with an individual named "Mehgan" at Defendant's residence on May 4, 2017 at 7:38p.m. (Dkt. 11). Defendant was never personally served with either the Complaint or First Amended Complaint. (Declaration of Jeff Buchanan, ¶ 3). The individual served with the Complaint was not a resident in Defendant's dwelling, and was not authorized to accept service on his behalf. (Declaration of Jeff Buchanan, ¶ 4). Furthermore, the process server indicated that he received the documents he delivered to the non-resident individual on May 3, 2017 – one day before Plaintiff filed the First Amended Complaint. (*See* Dkt. 11). This means that the Summons and original Complaint were the documents delivered to the non-resident individual. The process server also did not indicate that he had made any prior attempts at serving Defendant before leaving the summons and complaint with the non-resident individual. (*See id.*). Defendant now moves the Court to dismiss Plaintiff's deficient First Amended Complaint.

III. LEGAL STANDARDS

A. Dismissal for Lack of Subject Matter Jurisdiction

This Court's subject matter jurisdiction over Plaintiff's patent infringement claims is dependent on Plaintiff's standing to assert those claims. *See Steel Co. v. Citizens for a Better Env't*, 523 U.S. 83, 102 (1998) (holding "[s]tanding to sue is part of the common understanding of what it takes to make a justiciable case"). Standing must exist at the time the suit is brought. *See Sicom Systems v. Agilent Techs.*, 427 F.3d 971, 975-76 (Fed. Cir. 2005). Without standing, this Court lacks jurisdiction and has no authority to hear this case or grant any relief requested. *See United States v. Morton*, 467 U.S. 822, 828 (1984). Subject matter jurisdiction cannot be waived and must be examined by the Court before any other issue is resolved. *See Steel Co.*, 523 U.S. at 102.

"Dismissal is proper when a plaintiff fails to properly plead subject matter jurisdiction in the complaint." *Klang v. Pflueger*, Case No. 13-cv-1971-JVS (DFMx) 2014 BL 284603, at *3 (C.D. Cal. July 10, 2014) (citing Fed. R. Civ. P. 12(b)(1)). "A court lacks subject matter jurisdiction over a case if the plaintiff lacks standing to bring the cause of action." *Microsoft Corp. v. Phoenix Solutions, Inc.*, 741 F. Supp. 2d 1156, 1157 (C.D. Cal. 2010). A "jurisdictional attack may be facial or factual." *Safe Air for Everyone v. Meyer*, 373 F.3d 1035, 1039 (9th Cir. 2004) (citing *White v. Lee*, 227 F.3d 1214, 1242 (9th Cir.2000)). "If … the challenge disputes the truth of the allegations that would otherwise invoke federal jurisdiction, the challenger has raised a 'factual attack,' and the court may review evidence beyond the confines of the complaint without assuming the truth of the plaintiff's allegations." *Klang*, 214 BL 284603, at *3 (citations omitted).

In resolving a factual attack on jurisdiction, the district court may review evidence beyond the complaint without converting the motion to dismiss into a motion for summary judgment. *See Savage v. Glendale Union High Sch.*, 343 F.3d 1036, 1039 n. 2 (9th Cir.2003). "If the moving party convert[s] the motion to dismiss into a factual motion by presenting affidavits or other evidence properly brought before the court, the party opposing the motion must furnish affidavits or other evidence necessary to satisfy its burden of establishing subject matter jurisdiction. In reviewing factual attacks, the court need not presume the truthfulness of the plaintiff's allegations." *Purely Driven Prods., LLC v. Chillovino, LLC*, 171 F. Supp. 3d 1016, 1018 (C.D. Cal. 2016) (citations and quotations omitted). The plaintiff bears the burden of establishing subject matter jurisdiction. *See Kokkonen v. Guardian Life Ins. Co. of Am.*, 511 U.S. 375, 377 (1994).

B. Dismissal for Insufficient Service of Process

"Before a federal court may exercise personal jurisdiction over a defendant, the procedural requirement of service of summons must be satisfied." *Omni Capital Int'l, Ltd. v. Rudolf Wolff & Co.*, 484 U.S. 97 (1987). "Where service of process is insufficient, the court has 'broad discretion to dismiss the action or retain the case and quash the service that has been made on the defendant.'" *Telebrands Corp. v. GMC Ware, Inc.*, Case No. 15-cv-03121-SJO (JCx), 2016 BL 430524, at *3 (C.D. Cal. Apr. 05, 2016) (citations omitted).

C. Dismissal for Failure to State a Claim Upon Which Relief May Be Granted

"Under Rule 8(a), a complaint must contain a 'short and plain statement of the claim showing that the [plaintiff] is entitled to relief.' If a complaint fails to do this, the defendant may move to dismiss it under Rule 12(b)(6)." *McAfee Enters. Inc. v. Yamaha Corp. of Am.*, Case No. 2:16-cv-2562-BRO (FFM), 2016 BL 417156, at *1 (C.D. Cal. June 24, 2016) (citing Fed. R. Civ. P. 8(a) and 12(b)(6)). "To survive a motion to dismiss, a complaint must contain sufficient factual matter, accepted as true, to 'state a claim to relief that is plausible on its face.'" *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009) (quoting *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570 (2007)). "The complaint must 'give the defendant fair notice of what the claim is and the grounds upon which it rests.' Mere labels and conclusions are insufficient to give fair notice and 'a formulaic recitation of the elements of a cause of action will not do.'" *Apollo Fin., LLC v. Cisco Sys., Inc.*, 190 F. Supp. 3d 939, 941 (C.D. Cal. 2016) (citing *Twombly*, 550 U.S. at 555.).

IV. ARGUMENTS

Plaintiff lacks standing to bring a lawsuit by itself enforcing the Patents-in-Suit. Plaintiff also failed to properly serve Defendant with the operative complaint in this action. Finally, Plaintiff fails to state a claim for direct infringement, induced infringement, or contributory infringement of the Patents-in-Suit. For these reasons, the Plaintiff's First Amended Complaint must be dismissed.

A. Plaintiff Lacks Standing to Unilaterally Enforce the Patents-in-Suit

"'A patentee shall have remedy by civil action for infringement of his patent.' A 'patentee includes not only the patentee to whom the patent was issued but also the successors in title to the patentee.'" *Diamond Coating Techs., LLC v. Hyundai Motor Am.*, 823 F.3d 615, 617 (Fed. Cir. 2016) (citing 35 U.S.C. §§ 100(d), 281 (2012)). "Agreements transferring patent rights occur by assignment or license." *Id.* "To create an assignment, a contract must transfer: (1) the entire exclusive patent right, (2) an undivided interest in the patent rights, or (3) the entire exclusive right within any geographical region of the United States. An agreement that does not transfer one of these three interests is merely a license." *Id.* (citations omitted).

"We have not allowed labels to control by treating bare formalities of 'title' transfer as sufficient to determine that an 'assignment' of the entire exclusive right has occurred. Rather, we have explained that, '[t]o determine whether a provision in an agreement constitutes an assignment or license, one must . . . examine the substance of what was granted.'" *Id.* (citing *Vaupel Textilmaschinen KG v. Meccanica Euro Italia*

S.p.A., 944 F.2d 870, 874 (Fed. Cir. 1991)). Ordinarily, "the owner of a patent or the owner's assignee can commence an action for patent infringement, but a licensee alone cannot," unless the licensee holds "all substantial rights" in the patent. *Calgon Corp. v. Nalco Chem. Co.*, 726 F. Supp. 983, 985 (D. Del. 1989); *H.R. Techs., Inc. v. Astechnologies, Inc.*, 275 F.3d 1378, 1384 (Fed. Cir. 2002).

> We "have never . . . establish[ed] a complete list of the rights" that "must be examined to determine whether a [patentee] has transferred away sufficient rights to render an[other party] . . . the owner of a patent.". However, we have observed that (1) "the exclusive right to make, use, and sell . . . is vitally important," and (2) "the nature and scope of the [patentee's] retained right to sue accused infringers [and license the patent are] the most important factor[s] in determining whether an [agreement] . . . transfers sufficient rights to render the [other party] the owner of the patent."

Diamond Coating Techs., LLC, 823 F.3d at 619 (emphasis added) (citing *Alfred E. Mann Found. for Sci. Research v. Cochlear Corp.*, 604 F.3d 1354, 1360-61 (Fed. Cir. 2010)). Additional rights include: (1) the nature of license provisions regarding the reversion of rights to the licensor following breaches of the license agreement; (2) the right of the licensor to receive a portion of the recovery in infringement suits brought by the licensee; and (3) the obligation of the licensor to continue paying patent maintenance fees. *See Alfred E. Mann Found. for Sci. Research*, 604 F.3d at 1361.

After considering the factors set forth by the *Diamond* and *Alfred E. Mann* Courts, Plaintiff does not possess all substantial rights in the Patents-in-Suit, and therefore lacks standing to maintain this suit. This case must be dismissed.

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i. Plaintiff Does Not Have the Exclusive Right to Make, Use, or Sell Products or Services Related to the Inventions of the Patents-in-Suit

When interpreting a contract, "specific terms and exact terms are given greater weight than general language." Restatement (Second) of Contracts, 2nd Edition, § 203(c); *see also Ltd. v. Estate of Robert S. Coit*, 106 F.3d 406 (9th Cir. 1996) (giving effect to meaning of specific terms over general terms in interpreting the ambiguity of a Partnership Agreement); *Brinderson-Newberg Joint Venture v. Pac. Erectors, Inc.*, 971 F.2d 272, 279 (9th Cir. 1992) ("[w]here there is an inconsistency between general provisions and specific provisions, the specific provisions ordinarily qualify the meaning of the general provisions."); *PDM Strocal, Inc. v. Fireman's Fund Ins. Co.*, 73 Fed. Appx. 915, 917 (9th Cir. 2003) (holding that a meaning for a term is to be found from the most specific definition provided).

Under the terms of the First Agreement transferring rights in the Patents-in-Suit from the Inventors to Bayshore Patents LLC, the first clause broadly indicates that the Inventors transfer "all substantial rights, title, and interests … claimed in the [Patents-in-Suit]…." (*See* Declaration of Jayson S. Sohi, Exhibit A, ¶ 1) (emphasis added). The term "substantial" is not defined. The agreement then goes on to specifically state that the Inventors grant Bayshore Patents, LLC the "exclusive right to sue any party for infringement committed before this [agreement] and the exclusive right to recover and retain damages for any infringement of the [Patents-in-Suit] committed before this [agreement]." (*See* Declaration of Jayson S. Sohi, Exhibit A, ¶ 2). The terms of the Second Agreement transferring rights in the Patents-in-Suit from Bayshore Patents LLC to Plaintiff is substantially similar. It too specifically transfers only the "exclusive right to sue any party for infringement committed before this [agreement] and the exclusive right to recover and retain damages for any infringement of the [Patents-in-Suit] committed before this [agreement]." (*See* Declaration of Jayson S. Sohi, Exhibit B, ¶ 2).

As explained above, specific contractual provisions are afforded more weight in interpretation, and can be used to qualify the meaning of a broader unclear term. The first clause generally transferring an undefined "substantial" set of rights can be qualified and explained by the specific following clause that exclusively conveys the right to sue for only past infringement. No other right is exclusively granted under the First or Second Agreement. Therefore, "all substantial rights" should not include the vitally important exclusive right to make, use, or sell products or services derived from the inventions claimed in the Patents-in-Suit. This means that the Inventors, and Bayshore Patents LLC, may each continue to manufacture and market products and/or services related to the Patents-in-Suit.

Lacking the exclusive right to make, use, and sell products covered by the Patents-in-Suit by itself weighs against finding that all substantial rights were transferred. *See Diamond Coating Techs., LLC v. Hyundai Motor Am.*, 823 F.3d 615, 619 (Fed. Cir. 2016) ("We have held that a 'licensor's retention of a limited right to develop and market the patented invention indicates that the licensee failed to acquire all substantial rights.'"). Plaintiff therefore lacks all substantial rights to the Patents-in-Suit, and therefore this case must be dismissed for lack of standing.

ii. Plaintiff Does Not Hold the Exclusive Right to Sue Any Infringer

As stated above, Plaintiff – as his licensor Bayshore Patents LLC before him – enjoys the exclusive right to sue parties for infringement, if that infringement was committed before the execution of that agreement. (*See* Declaration of Jayson S. Sohi, Exhibits A & B, ¶¶ 2). Plaintiff holds no exclusive right to sue individuals for any infringing acts committed after January 15, 2017. This means that any party committing infringing acts both before and after January 15, 2017 would be subject to two distinct lawsuits – by Plaintiff and Inventors separately – for the same series of acts.

The threat of multiple simultaneous litigations is enough to deem a patent transfer agreement a mere license. *See Aspex Eyewear, Inc. v. Miracle Optics, Inc.*, 434 F.3d 1336, 1343 (Fed. Cir. 2006) (the Court of Appeals notes the "public policy in favor of preventing multiple lawsuits on the same patent against the same accused infringer" as a reason why an underlying agreement should be construed as a license transferring less than all substantial rights to the patents-at-issue). For this reason alone, Plaintiff should be deemed a licensee lacking sole standing to sue. Thus, this case must be dismissed for lack of subject matter jurisdiction.

iii. Plaintiff Does Not Have the Exclusive Right to License the Patents-in-Suit

As explained above, the specific grant of only an "exclusive right" to pursue past infringers, necessarily means that Plaintiff's "substantial" rights do not include an exclusive right to license the Patents-in-Suit. The Inventors', and Bayshore Patents LLC's, retained right to license the inventions diminishes Plaintiff's status as a licensee with the rights to solely enforce the Patents-in-Suit. As explained by the Federal Circuit, "[r]etaining control of [licensing or litigation] activities is [] critical to demonstrating that the patent has not been effectively assigned to the licensee." *Azure Networks, LLC v. CSR PLC*, 771 F.3d 1336, 1343 (Fed. Cir. 2014). Accordingly, this Court should recognize Plaintiff's lack of standing and dismiss the FAC.

iv. Plaintiff's Interests are Subject to Reversion

Plaintiff's interest in the Patents-in-Suit are qualified by a reversionary interest that may curtail the Plaintiff's status as a litigant in any pending proceeding. (*See* Declaration of Jayson S. Sohi, Exhibits A & B, ¶¶ 4). If Plaintiff is unable or unwilling to "pursue or continue previously undertaken litigation or similar monetization efforts relating to the [Patents-in-Suit]" he must transfer all rights granted under the Second Agreement back to Bayshore Patents LLC. (Declaration of Jayson S. Sohi, Exhibit B, ¶ 4). Under the First Agreement, Bayshore Patents LLC must do the same for the benefit of the Inventors. (*See* Declaration of Jayson S. Sohi, Exhibit A, ¶ 4). Thus, the Inventors maintain an ultimate performance-based reversionary right to the Patents-in-Suit, thus further demonstrating that Plaintiff does not possess all substantial rights. The Federal Circuit's decision in *Propat* demonstrates that retaining a performance-based reversionary right, as the Inventors do in this case, is a significant factor supporting a finding that an agreement does not transfer all substantial rights and amounts to a mere license. *See Propat Int'l Corp. v. RPost US, Inc.*, 473 F.3d 1187, 1191-92 (Fed. Cir. 2007). Accordingly, this Court should recognize Plaintiff's lack of standing to unilaterally enforce the Patents-in-Suit, and dismiss Plaintiff's FAC for the Court's lack of subject matter jurisdiction.

v. Plaintiff Has No Economic Interest in the Patents-in-Suit

Plaintiff is required to surrender 100% of "any gross proceeds obtained from any parties from monetization efforts" to his licensor Bayshore Patents LLC. (*See* Declaration of Jayson S. Sohi, Exhibit A, ¶ 3). Bayshore Patents LLC is required in turn to surrender 50% of those "gross proceeds " to the Inventors. (*See* Declaration of Jayson S. Sohi, Exhibit B, ¶ 3). Where a direct licensor retains a one-hundred percent (100%) interest in the outcome of litigation, and the underlying Inventors retain a fifty percent (50%) interest in that totally-surrendered share, the Court should have "no difficulty concluding that this portion of the proceeds is substantial." *Diamond Coating Techs., LLC v. Hyundai Motor Am.*, 2015 U.S. Dist. LEXIS 60047, at *13 (C.D. Cal. Apr. 1, 2015) (citing *VirnetX, Inc. v. Microsoft Corp.*, No. 6:07-cv-80, 2008, U.S. Dist. LEXIS 94854, at *5 (E.D. Tex. June 4, 2008) (finding a 35% equity interest to be substantial)). This is "especially true" where, as here, Plaintiff has paid nothing up front for the patent and each licensor's sole remuneration consists of a percentage of litigation rents. *Id.* ("This is especially true where the only consideration tendered for the assignment is a percentage of future proceeds.") Plaintiff has no substantial rights in the Patents-in-Suit, and the Court should dismiss the FAC for Plaintiff's lack of sole standing.

vi. Plaintiff is Not Obligated to Pay Maintenance Fees for the Patents-in-Suit

The Federal Circuit indicated that the licensor's continued responsibility to maintain a patent-at-issue is an indicator signaling the retention of all substantial rights in the patent. *See Propat Int'l Corp.*, 473 F.3d at 1191 ("The responsibility to maintain a patent is one of the obligations that has been recognized by this court as an indication that the party with that obligation has retained an ownership interest in the patent.") Here, neither the First or Second Agreement obligates Bayshore Patents LLC or the Plaintiff to pay the maintenance fees for the Patents-in-Suit. The obligation presumably remains with the Inventors.

Because the Inventors retained all substantial rights in the Patents-in-Suit, Plaintiff does not have standing to enforce the Patents-in-Suit on its own. The Court should dismiss this matter under Fed. R. Civ. P. 12(b)(1) for its lack of subject matter jurisdiction.

B. Plaintiff's Alleged Service Was Improper

"A federal court does not have jurisdiction over a defendant unless the defendant has been served properly under Fed. R. Civ. P. 4 …. Without substantial compliance with Rule 4 neither actual notice nor simply naming the defendant in the complaint will provide personal jurisdiction." *Direct Mail Specialists, Inc. v. Eclat Computerized Technologies*, 840 F. 2d 685, 687 (9th Cir. 1988) (citations omitted). Under Fed. R. Civ. P. Rule 4(e), an individual may be served by "following state law for serving a summons in an action brought in courts of general jurisdiction in the state where the district court is located or where service is made." Fed. R. Civ. P. 4(e).

California law provides that if a copy of the summons and complaint "cannot with reasonable diligence be personally delivered to the person to be served," then a process server may leave the summons and complaint with a resident or person apparently in charge of his/her place of business, dwelling house, or usual place of abode and then mailing a copy of the documents to the address served; service of a summons in this manner is deemed complete on the tenth day after the mailing. *See* Cal. Code Civ. P. § 415.20(b). "Plaintiffs must be reasonably diligent in their attempts at direct service before resorting to substituted service and bear the burden of demonstrating such diligence." *See Telebrands Corp. v. GMC Ware, Inc.*, Case No. 15-cv-03121-SJO (JCx), 2016 BL 430524, at *3 (C.D. Cal. Apr. 05, 2016) (citing *Hong-Ming Lu v. Primax Wheel Corp.*, Case No. CV 05-04170 JSW, 2005 WL 807048, at *3 (N.D. Cal. April 7, 2005)).

Here, Plaintiff exercised no diligence in attempting to directly serve Defendant. Plaintiff never personally served Defendant with the Complaint or FAC (*see* Declaration of Jeff Buchanan, ¶ 3), and the Proof of Service alleging substituted service does not indicate that Plaintiff had ever previously attempted to serve Defendant with either the Complaint or FAC. (*See* Dkt. 11). Furthermore, the individual served at Defendant's residence – as stated in the Proof of Service – was not a resident of Defendant's dwelling, and not authorized to accept service on Defendant's behalf. (*See* Declaration of Jeff Buchanan, ¶ 4). Thus, under Fed. R. Civ. P. 4(e), the apparent substituted service was improper for its failure to deliver documents to a "resident" of Defendant's dwelling. Finally, the process server received the documents he served on May 3, 2017. (*See* Dkt. 11). The FAC was not filed until May 4, 2017. (*See* Dkt. 10). Therefore, the documents served on the non-resident individual did not include the currently-operative complaint in this action: the FAC. Plaintiff failed in multiple ways to effect proper service of process, and thus the First Amended Complaint should be dismissed under Fed. R. Civ. P. 12(b)(5).

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C. Plaintiff States No Claim Under Which His Requested Relief May Be Granted

"Until last year, Federal Rule of Civil Procedure 84 provided that forms such as Form 18 suffice to satisfy the pleading requirements of Rule 8(a). But Rule 84 has been abrogated by amendments to the Federal Rules of Civil Procedure." *McAfee Enters. Inc. v. Yamaha Corp. of Am.*, Case No. 2:16-cv-2562-BRO (FFM), 2016 BL 417156, at *3, n.3 (C.D. Cal. June 24, 2016). Now, a complaint for patent infringement must meet the pleading standards set forth by the Supreme Court in *Twombly* and *Iqbal*. *See id.* at *1 (citing *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009) and *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570 (2007)). Even if the simpler requirement of Form 18 applied here, Plaintiff's FAC still would not make the grade. *See Addiction & Detoxification Inst. L.L.C. v. Carpenter*, 620 F. App'x 934, 937 (Fed. Cir. 2015) (explaining that Form 18 requires "some allegation of specific services or products of the defendants which are being accused").

Here, Plaintiff levies two bare and ambiguous conclusions that Defendant is "liable for" infringing the Patents-in-Suit. (Dkt. 10, ¶¶ 32, 35). Otherwise, Plaintiff provides no fact or allegation supporting a claim for direct infringement, induced infringement, or contributory infringement. Since the FAC does not include a single fact supporting Plaintiff's allegations of Defendant's infringement, omits any allegation that infringing activity even took place, and neglects to specify an accused infringing product or service, it must be dismissed.

i. Plaintiff Alleges No Facts Supporting Direct Infringement

"In patent cases, with regard to [a] direct infringement claim, [a] court need not accept as true conclusory legal allegations cast in the form of factual allegations." *Apollo Fin., LLC v. Cisco Sys., Inc.*, 190 F. Supp. 3d 939, 941 (C.D. Cal. 2016) (citation omitted). Plaintiff's entire FAC rests on two bare legal conclusions declaring Defendant's alleged liability for infringement. (*See* Dkt. 10, ¶¶ 32, 25). Plaintiff otherwise fails to allege that any infringing conduct specified under 35 U.S.C. § 271(a) ever took place, and fails to support its two conclusions with a single factual allegation. A summary of the relevant provisions of the FAC helps to convey its multitude of deficiencies.

The first five paragraphs of the FAC lay out Plaintiff's alleged basis for the action. (Dkt. 10, ¶¶ 1-5). The next three are statements alleging only that Defendant runs a website, and maintains a YouTube channel having two videos. (Dkt. 10, ¶¶ 6-8). The next eleven paragraphs copy the text from the "www.woodchippersafetyshield.com" website verbatim, without context or explanation. (Dkt. 10, ¶¶ 9-19). The next nine paragraphs inexplicably describe the effect of moving a coiled conductor through a magnetic field. (Dkt. 10, ¶¶ 20-28). Finally, the last substantive paragraph offers the only fact that remotely relates to any theory of infringement. (Dkt. 10, ¶ 29). Under a generous reading, the bare statement implies that Defendant knew of the Patents-in-Suit, and yet still fails to specify what the "certain statements" were. *See Id.* Upon reaching Plaintiff's claims for relief, a reader is left wondering why the Defendant was named in this lawsuit at all. Plaintiff concludes by copy-pasting the boilerplate allegation that Defendant "is liable for direct, contributory, and induced infringement of at least claim 1 of the XXX patent under 35 U.S.C. §271," where 'XXX' is the number of each of the Patents-in-Suit. (Dkt. 10, ¶¶ 32, 35) (emphasis added).

Plaintiff does not identify which claims are specifically at issue. Plaintiff does not identify an accused product or service. Plaintiff does not identify which claims apply to any accused product or service, if one were identified. Plaintiff does not plead a fact showing how any specific claim limitation reads on an element of an accused product or service, if one had been identified. Plaintiff does not allege that Defendant conducted or performed any infringing conduct under 35 U.S.C. § 271(a). Plaintiff does not plead any facts supporting an allegation that Defendant engaged in such infringing conduct, or that Defendant committed any act involving an accused product or service.

Finally, Defendant wholly fails to allege any fact indicating that anyone made, use, sold, offered for sale, or imported in the United States any product or service that infringed any claim of either Patent-in-Suit. The FAC is insolubly ambiguous and unquestionably deficient, and must therefore be dismissed.

ii. Plaintiff Alleges No Facts Supporting Induced Infringement

"Whoever actively induces infringement of a patent shall be liable as an infringer." 35 U.S.C. § 271(b). "To sufficiently plead a claim for induced infringement, the patentee must allege direct infringement by a third party, and that a defendant knowingly induced infringement and possessed specific intent to encourage another's infringement." *Telebrands Corp. v. GMC Ware, Inc.*, Case No. 15-cv-03121-SJO (JCx) 2016 BL 430524, at *8 (C.D. Cal. Apr. 05, 2016) (citations omitted). To plead knowing inducement, Plaintiff must demonstrate that Defendant (1) had knowledge of the patents-in-suit; and (2) had knowledge that the direct infringers' actions constitute patent infringement. *See Global-Tech Appliances, Inc. v. SEB S.A.*, 563 U.S. 754, 766 (2011) (defining the knowledge requirement for inducement infringement). "Specific intent can be demonstrated by circumstantial evidence, but mere knowledge of possible infringement does not suffice." *Unilin Beheer B.V. v. Tropical Flooring*, Case No. 14-cv-02209-BRO (SSX), 2014 BL 390461, at *5 (C.D. Cal. June 13, 2014) (citing *Vita-Mix Corp. v. Basic Holding, Inc.*, 581 F.3d 1317, 1328 (Fed. Cir. 2009)).

Plaintiff failed to plead any element required for alleging induced infringement. As explained above, Plaintiff did not plead a single fact supporting the allegation that anyone directly infringed any claim of the Patents-in-Suit. Plaintiff did not plead any fact indicating that Defendant encouraged or *induced* any other party to do anything. Plaintiff did not even indicate the existence of a third party. Plaintiff did not plead any fact demonstrating that Defendant knew any infringer's actions – if one had been included in the FAC – constituted direct infringement of either the Patents-in-Suit. Plaintiff did not plead that Defendant even knew the possibility that any such action could possibly infringe the Patents-in-Suit, let alone that Defendant specifically intended to encourage any third party's infringement. Plaintiff wholly failed to allege the basic requirements for pleading a claim for induced infringement under 35 U.S.C. § 271(b). The FAC should be dismissed.

iii. Plaintiff Alleges No Facts Supporting Contributory Infringement

In addition to demonstrating an underlying direct infringement, a plaintiff must establish four elements to plead a claim for contributory infringement:

> (1) the defendant sold a component or material for use in [the patented machine]; (2) the component or material constitutes a material part of the invention; (3) the defendant knew that the item it sold was especially made or adapted for use in infringing the patented [machine]; and (4) the item sold is not a staple article or commodity of commerce suitable for substantial noninfringing use.

Unilin Beheer B.V. v. Tropical Flooring, Case No. 14-cv-02209-BRO (SSX), 2014 BL 390461, at *6 (C.D. Cal. June 13, 2014) (citing 35 U.S.C. § 271(c)). Plaintiff pled none of these elements. As explained above, Plaintiff failed to plead direct infringement of the Patents-in-Suit. Plaintiff did not specify what "the invention" at issue was for either of the Patents-in-Suit. Plaintiff did not plead any facts alleging that anything Defendant sells constitutes a material part of any invention claimed in the Patents-in-Suit. Plaintiff did not plead any facts alleging that anything Defendant sells was specifically adapted for use in an infringing device – and as explained above, Plaintiff failed to even specify an accused infringing device. Finally, Plaintiff never mentions that an alleged component of the unnamed infringing device is unsuitable for any substantial noninfringing use. Plaintiff has entirely failed to plead a claim for contributory infringement under 35 U.S.C. § 271(c). This Court should dismiss the FAC.

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V. CONCLUSION

As explained in detail above, Plaintiff lacks standing to unilaterally enforce the Patents-in-Suit, neglected to properly serve Defendant with the operative complaint, and failed to state a claim for any type of infringement of the Patents-in-Suit. For these reasons, this Court should dismiss Plaintiff's First Amended Complaint.

Dated: May 25, 2017

Respectfully submitted,

/s/Jayson S. Sohi

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CERTIFICATE OF SERVICE

I hereby certify that on May 25, 2017, I electronically filed the foregoing:

MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF DEFENDANT'S MOTION TO DISMISS FIRST AMENDED COMPLAINT PURSUANT TO FED. R. CIV. P. 12(b)(1), 12(b)(5), and 12(b)(6)

with the Clerk of the Court using the CM/ECF system which will send notification of such filing to the following:

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Dated: May 25, 2017

s/Elaine Cruz

Elaine Cruz